

# **MORAL JUDGEMENT, ITS ANTECEDENTS AND RELATIONSHIP WITH CAREER SUCCESS**

**by**

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## **ABSTRAK**

Amalan perniagaan yang tidak jujur dan tidak etika telah mengakibatkan krisis besar di kalangan badan korporat antarabangsa. Kekhuatiran terhadap amalan perniagaan yang tidak jujur dan tidak etika telah menimbulkan banyak penyelidikan tentang kelakuan etika. Walaubagaimanapun, kajian empirikal langkah-langkah berkesan untuk meningkatkan akhlak di kalangan pengurus agak kekurangan terutama sekali di negara-negara sedang membangun seperti Malaysia. Kajian empirikal tentang peranan perkembangan akhlak sebagai ramalan kejayaan kerjaya juga tidak terdapat di Malaysia. Kajian ini meninjau hubungan di antara kod etika, suasana etika organisasi, sokongan dari pengurus atasan terhadap kelakuan etika, tahap perkembangan akhlak para pengurus dan peranan tahap perkembangan akhlak sebagai ramalan kepada kejayaan kerjaya. Sebanyak 256 responden dari organisasi swasta di Utara Semenanjung Malaysia telah berjaya menyempurnakan soalan kaji selidik. Keputusan kajian ini menunjukkan kod etika, suasana etika organisasi dan sokongan pengurus atasan pada kelakuan etika berhubung secara bermakna dengan tahap perkembangan akhlak pengurus secara positif dan tahap perkembangan akhlak pengurus berhubung secara bermakna dengan kejayaan kerjaya mereka secara positif.

## **ABSTRACT**

Dishonest and unethical business practices had resulted in major crisis among the multinational corporations. The concern about dishonest and unethical business practices has brought about many studies of ethical behavior. However, empirical studies on effective measures to improve managers' moral development were insufficient especially Malaysia. There is also no empirical research being done in Malaysia to determine the role of moral development level as the predictor to career success. This study examines the relationship between codes of ethics, organizational ethical climate, the support from top management for ethical behavior and managers' moral development, and the role of managers' moral development levels as the predictor to their career success. This study hypothesized that code of ethics, organizational ethical climate and the support from top management for ethical behavior will positively influence managers' moral development, and managers' moral development will be positively related to their career success. A total of 256 respondents from private institutions in the Northern region of West Malaysia successfully completed the questionnaires. The findings indicated that code of ethics, organizational ethical climate and support from top management for ethical behavior were positively and significantly related to managers' moral development, and managers' moral development were positively and significantly related to career success.

## **Chapter 1**

### **INTRODUCTION**

#### **1.1 The Background**

Ethical issues exist ever since human beings live together, because orderly, undisturbed, and productive communities are not possible without rules and regulations. Rules and regulations define what a person must and must not do. As time passed by and communities grew larger, these rules and regulations became formalized into codes of conduct to assure everyone in the community was instructed as to what their rights and duties were. These rules and regulations were later further developed into laws that specified the penalties for violating the ethical norms of the community that evolved as community life changed. The last decade has seen a significant increase in business ethics research and literatures. This is somehow anticipated looking at the growing complexity and importance of business ethics in workplace especially in the international arena.

Ethical situations in business are becoming increasingly more complex and have extended into areas including social expectation, fair competition, legal protection and rights, and recently, social responsibilities. The impact of ethical related issues also has spread to more parties including competitors and the general public besides the traditional stakeholders, employees and employers. In the international arena, due to differences in culture, values and beliefs, it has taken up a different setting. These developments have increased both the depth and breadth of ethics research.

The enforcement of Sarbanes-Oxley Act 2002 in United States that makes reporting on internal control a reality for United States Security and Exchange Commissions (SEC) registrants and their independent auditors is an act to overcome dishonest and unethical business practices. This act requires public listed firms to provide reports from management on the effectiveness of internal controls over financial reporting, as well as reports from independent auditors on their examination of management's assertions. Plus, the act also requires company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) to certify each quarterly and annual report. The evolution of this act is mainly due to the dishonest or inappropriate business practices among the multinational corporations. The failure of giants like Enron, World Com and Andersen are among the most heated topic of discussion among researchers. The dishonest and unethical business practices of the top managers from these giants resulted in the failures of these giants that cost taxpayers, shareholders and employees multi-billion dollars. These happenings had in turn caused the erosion of confidence in the top managers such as the CEOs, COOs or CFOs in particular and the loss of trust from general public toward multinational corporations in general. Majority of these issues could have been avoided if those in power kept themselves away from these dishonest and unethical business practices. Even though there have been no similar cases (fraud, false reporting, etc.) in Malaysia, it does not mean that it cannot happen, only that the cases have not emerged yet.

However, there are also indications that unethical business practice is a concern in Malaysia. Malaysia daily newspapers like Business Times, New Straits



Times and Malay Mail have repeatedly published news expressing concern on unethical business practices in Malaysia. For instance, Malaysia's Second Finance Minister, Datuk Dr. Jamaludin said to create a level playing field, one must not be taken up with greed (Kamarul Yunus, Business Times, 2000). He reminded Malaysian corporations that there should not be any shortcuts or employment of unethical means in the race to secure new businesses. In conjunction to this, Malaysia's Prime Minister, Datuk Seri Abdullah Ahmad Badawi has announced that Malaysia will sign the United Nation Convention Against Corruption in an effort to step up war on graft in the country (New Straits Times, 05/02/2003). The signing of the convention by Malaysia will also help to ensure United Nation Convention Against Corruption gets the ratification by 30 nations to come into force. More importantly, it sends out another signal that Malaysia is serious in his campaign against corruption. Although Malaysia is ranked 33<sup>rd</sup> out of 102 countries in the Corruption Perception Index compiled by Transparency International, this is not a level which the country should be comfortable with. Malaysia's Prime Minister has made the war on graft a top priority since his first day in office, and has backed his strong words with specific actions in a short space with the announcement of the formation of a National Institute for Public Ethics and the development of a National Integrity Plan to the recent anti-corruption academy. As the signatory to the UN anti-corruption convention, Malaysia is committing itself to the international standards of integrity and good governance that it sets. Steps are also being taken to develop the capacity of the Anti-Corruption Agency so that it can do its work more effectively. Similarly Malaysia's Prime Minister also advised Anti-Corruption Agency (ACA) to

act fast to avoid public suspicious (Deborah Loh, News Straits Times, 2000). He said if the ACA delays its investigation and is slow in their actions against corruptions, the media will have their own prosecuting after opening the Fourth Regional Anti-Corruption Conference for Asia and the Pacific. The practice of taking upah (reward) and duit kopi (coffee money) in Malaysia both among the public and private sectors can lead to a more serious problem – bribery (Harney Abu Khair, Malays Mails, 2000). The Prime Minister also urged Government servants to cut red tape to fight corruption. All these events or developments indicate to us that unethical business practices are becoming a serious issue in Malaysia.

One of the causes to these happenings are today's executives and managers are facing ethical challenges daily at work, ranging from making questionable payments in order to facilitate business transactions to accurately reporting information at odds with corporate goals or targets. On the other hand, various stakeholders including shareholders, employees, suppliers, customers, trade unions and government agencies may have different views as to what is "right" or "correct" decision to make in varying situations due to individuals' different objectives. This has added into the complexity of decision making, and managers are often in dilemma and find it very difficult to have "correct" answers that satisfy all stakeholders. This further reflects that managers have to deal with moral conflicts in the workplace daily.

Business ethics research traditional typically involves questioning the nature and grounds of moral judgments, and standards and rules of conduct in situation involving business decisions (Vitell, 1990). Majority of these researches are

normative in nature that dealt with the theoretical foundation of business ethics and ethical decision-making models. However, recent trend has been on empirical research and many such researches done to understand factors that may influence ethical behavior. Ethical research could be approached from the perspective of the organization and also from the perspective of the individual managers. But ethics or ethical decisions are very much an individual matter. To that end, many management scholars have investigated the influence on managerial ethical decisions and behaviors from a variety of perspectives. Some have assessed personal characteristics, such as age (Reugger & King, 1992), gender (Barnett & Karson, 1987, 1989; Schminke, 1997), philosophical orientation (McConinck & Lewis, 1997), or personal values (Finegan, 1994). These attributes or factors have been found to affect ethical decision making and behavior in varying degrees.

Organizational factors also have been explored. For example, the influence of organizations' culture or climate (Akaah & Lund, 1994; Singhapakdi, 1993), the height of organizations' hierarchy (Barnett & Karson, 1987; Harris, 1990; Mitchell, Lewis, & Rinsch, 1992), and code of ethics (Ferrell & Skinner, 1988; Mathews, 1998; Trevino & Victor, 1992) on managers' ethical decision making. These researches evaluated the influence of these attributes on managerial ethical decision making.

These empirical researches have made in-depth study on the influence of personal and organizational factors on individuals' ethical behavior. However, the findings of these studies are mixed. Additionally, majority of business ethics studies have concentrated on Western industrialized nations. Empirical works in the Asian context have been few and far between (Metha & Kau, 1984; Swingyard et al., 1989,

1990). There has been no study to examine the influence of organizational factor on individuals' ethical behavior or moral development in Malaysia, one of the fast growing countries in Asia. Also, majority of the management training and development programs offered by various institutions in Malaysia have been confined to such areas as Communication, Leadership, Planning, Finance and Accounting, Marketing, Industrial relations, Operation management, Safety or Information Systems. It is rather unfortunate to say that business ethics has been conveniently ignored in almost all training and development programs. Hence, there is a need to have more business ethics studies in Malaysia not only to determine the organizational factors that influence managers' ethical decision making but also to promote the awareness of moral judgment in business management.

Recently, scholars also looked at the influence exerted by the context or moral intensity of the ethical dilemma on the decision maker (Marshall & Dewe, 1997; 1996; Weber, 1998). However, these researches have focused on what decision makers might do rather than focusing on the moral reasoning used by the decision makers.

Another interesting and new topic of business ethics research is whether ethical behavior leads to career success. And what is the place and role of morality in management? Gibb (2003) pointed out two extreme arguments on the relationship between morality and career success. Schrijvers (2002) as quoted by Gibb (2003) argued that morality has no place in management. His argument claimed that unethical practices will lead to career success and ethical practices will be victimized and ignored. The opposite view postulated by Glover (2001) argued that morality

matter, and more urgently, in all areas of human action and behavior. This raises a question on whether ethical employees will be more successful than unethical employee or vice versa. In more specific term is whether manager in different moral development level will have significant differences in their career success.

Based on the background screening of the recent developments in business ethics research and business practices, it is the intention of this study to develops better understanding of what are the significant factors that influence Malaysia managers' moral development. This research is also designed to determine Malaysia managers' moral development level based on Kolberg's theory of cognitive moral development (CMD) using Defining Issue Test (James, 1969). The other objective of this study is to determine whether Malaysia managers at varying levels of moral development levels will have significant different in career success.

## **1.2 Problem Statement**

From above background study discussion, there are two areas pertaining to managers' moral development that deserve further investigation. The first area is whether the organizational factors namely code of ethic, organizational ethical climate and the supports from top management for ethical behavior have significant influence on Malaysia managers' moral development and the second is whether the level of moral development is a predictor to career success.

### **1.3 Research Objectives**

The objectives of this study are: -

- 1) To determine the moral development level of Malaysia's managers.
- 2) To determine the organizational factors that influenced managers' moral development levels.
- 3) The relationship between moral development level and career success.

### **1.4 Research Questions**

In line with the above problem statement, this research intends to answer these research questions: -

- 1) What is the moral development level of Malaysia's managers?
- 2) Which organizational factors influence managers' moral development level?
- 3) Is there a relationship between managers' moral development levels and career success?

### **1.5 Scope of the Study**

The study covers all executives ranging from engineers to CEO in Malaysia private sectors. Thus, the study is done in Malaysia, one of the fast growing developing countries in Asia. The scope of the study includes all executives from all disciplines employed in private institutions from the Northern state of Peninsular Malaysia.

The scope of the study will also include following areas: -

Empirical research to determine the individual managers' moral development level, the effectiveness of the influence of organizational factors on individuals' moral development, and literature research on Kolberg's theory of cognitive moral development (CMD) that attempted to relate moral development to career success.

## **1.6 Significance of the Study**

This study will examine the relationship between organizational factors and moral development. In particular, it will study the relationship between code of ethics, the support from top management for ethical behavior and environmental ethical climate and moral development. Beside this, the research will also study the relationship between moral development and career success. Thus, in general, the finding of this research will contribute to the theoretical development of studies in workplace business ethics. In particular, this study will help to understand 1) the factors contributing to moral development levels, and 2) whether the levels of moral development can predict career success. The theoretical contribution of this study is significant as the relationship between organizational factor and moral development from current and previous studies is not conclusive. The same go to the relationship between moral development and career success.

From the application perspective, if the above could be established, it will help in selection and training of personnel in human resource management. Also, if moral development can predict career success, this knowledge can be used for human resource development purposes.

## **1.7 Definition of Variables**

### ***1.7.1 Moral Judgment***

It is an individual decision as to whether something is considered ethical or unethical, right or wrong (Schwepker, 1999). In the context of this study, the level of the moral judgment will be measured by DIT P-scores ranged from 0.0% to 100.0%.

### ***1.7.2 Cognitive Moral Development (CMD)***

It is a stage-sequence model of cognitive levels and stages that people progresses through their moral development (Kohlberg, 1969). The study will utilize Kohlberg six CMD stages. Stage 1 and 2 fall into pre-conventional level, stage 3 and 4 belong to conventional level, and stage 5 and 6 are the post conventional or principle level.

### ***1.7.3 Ethics***

Ethics is the nature and grounds of moral judgment, standards and rules of conducts for making decision (Vitell, 1990; Kuo & Hsu, 2001). It is also an act that is judged as proper based on a standard of right and wrong (Alderson & Maxwell, 1994).

### ***1.7.4 Career Success***

It is the success to achieve the highest level in career ladder in shortest possible time. A younger individual who hold the same position as the older individual is regarded as more successful than the later. In the context of this study, the lowest score of success index is 3 and the highest is 21.



### ***1.7.5 Ethical Climate***

An organization that emphasizes on company interest, team interest and rules and standard operating procedures is being classified as an organization with positive ethical climate and vice versa.

## **1.8 Organization of Subsequent Chapters**

The reminder of this paper is divided into four chapters. Chapter 2 summarizes the relevant literature reviewed. Chapter 3 develops all the relevant hypotheses and proposes the theoretical framework of the study. Chapter 4 discusses the research method to be deployed in the study. Chapter 5 presents the results and finally Chapter 6 concluded the study, discussed the limitations and suggest directions for future research.

## **Chapter 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

Given the scope of this study, there is a need to draw upon a wide range and interrelated literature from organizational behavior and business ethics. This chapter reviewed literatures on the influence of personal and organizational factors on ethical behavior and moral development levels of managers and business students. Review also included recent business ethics researches in Asia. Researches and studies on Kolberg's theory of cognitive moral development and the relationship between moral development and career success were included as well. This literature review concludes by summarizing the important variables included into the study that enabled the formulation of the theoretical framework of this study, based on which all the relevant hypotheses are formulated for empirically tested.

#### **2.2 History of Research and Review of Previous Studies**

Many researches have been done to study the influence of personal and organizational factors on the ethical behavior of business professionals (Peterson et al., 2001; Boo & Koh, 2001; Khazanchi, 1995; Tan, 2002; Cleek & Lenoard, 1998). However there is still a lack of conclusive results on the impact of these factors on individual ethical behavior due to mixed findings.

Review on researches on business ethics also found ethical belief and ethical behavior are addressed separately. For example, Chan et al. (1998), Peterson et al. (2001) and Lally (1996) looked at ethical belief whereas Lund (2000), Pearson et al.

(1997), Maher and Bailey (1999), and Kenhove et al. (2003) addressed ethical behavior. This indicates there is insufficient research done to study the relationship between ethical belief and behavior (Chow, 2001). However, this perspective of business ethical research is not within the scope of this study.

The first fundamental factor that influenced individuals' ethical behavior is probably personal factors. This argument supports by various business ethics researches that studied the impact of personal factors such as genders, age groups and educational levels on individuals' ethical behavior. Majority of these researchers studied the differences in ethical behavior displayed by individuals from different genders, age groups and education levels.

Having an understanding on the impact of personal factors on ethical behavior is insufficient because organizational factors will have significant impact as well. For this, business ethic researches also look into what are the significant organizational factors that will result in significant differences in individuals' ethical behavior. Beside, firms with different organizational setting may face different levels of ethical issue. Take for example, the existence of code of ethics and issues or topics being emphasized by top management will send an influential signal to employees at large. Thus, organizational factors such as code of ethics, the support from top management and the ethical climate of the organization will potentially have a significant impact on individuals' ethical behavior.

However, this study will take a different approach by looking into the influence of organizational factors on individuals' moral development and to determine the relationship between moral development and career success.

### ***2.2.1 Personal Factors***

The influence of personal factors on ethical behavior has always been the most popular topic of business ethics researchers. Many personal factors including gender, age, educational attainment level, working experience, values and culture have been deeply discussed. This paper reviews studies done on the role of gender, age and educational level on individuals' ethical behavior as well as their influence on individuals' moral development. Literature reviews found personal factors that influenced individuals' ethical behavior are values, age, gender, socioeconomic status, education level, years of working experience, and individual's organizational hierarchy level. For example, age, socioeconomic status and education level were found correlated positively to individual moral development (Kohlberg, 1991). Other studies found the older the individual and the higher his or her socioeconomic status and educational attainment level, the lower the likelihood that he or she will engage in unethical behavior (Harrington, 1997). Following paragraphs review studies that correlate gender, age and educational level to individual ethical behavior and moral development.

#### ***2.2.1.1 Gender***

Gender is generally accepted as an important personal characteristic influencing individuals' ethical behavior by business ethic researchers (Anusam et. al, 2001). Whether different genders will result in significant differences in individuals' ethical behavior continues to attract the interest of many researchers. As such, many researches that dwelled into this aspect have been initiated. Another driver of this

trend is the increasing number of women moving into the job market in all disciplines. This is especially true for emerging occupations such as information technology and consulting. However, researchers have mixed findings whether there are significant differences in ethical behavior between male and female. The first group of researchers postulates that gender is not a determining factor of one's ethical behavior. This argument is supported by ethical studies on business students. These researches concluded that different genders of graduate and undergraduate business students did not show significant differences in their ethical behavior (Sridhar & Camburn 1993; Hegarty & Sims Jr., 1978). Similarly, study done on IT practitioners also found genders did not have significant impact on Information System professionals' ethical behavior (Michael, Leon & Shim, 1997). Some researches indicated perhaps there may exist some differences in ethical behavior of males and females but however it is rather not significant. A study done in Hong Kong found the expatriates appeared to have little differences between male and female while responding to ethical issues (Gael & Pak, 1997).

Another group of researchers argues that gender is a significant determining factor of one's ethical behavior. There are also numerous studies that support this argument. Gilligan (1982) argued that from moral reasoning perspective, men and women are believed to be different. Gilligan (1982) found that men in particular are more likely to adhere to the "ethics of justice" by emphasizing rules and individual rights; women, on the other hand, are more likely to adhere to the "ethics of care" by emphasizing relationships and compassion. Hence, this results in different ethical behavior being displayed by males and females. From the perspective of the degree of

ethicality, women were found to be slightly more ethical than men among the business graduates (Marty & Sergei, 2004). However, there are also studies that found male ranked ethical behavior as more important than did female (Thumin et al, 1995).

Research done on marketing professionals also found gender has a significant influence on ethical behavior (Daulatram, 2000). Anusam and Kiran (2001) found women marketing professional perceive ethics and social responsibility to be more important in achieving organizational effectiveness than men (Anusam & Kiran, 2001). Their study also found that marketing professional at supervisory level. A study done on this group of professionals was found to have a significant difference in ethical behavior between male and female (Fritzche, 1988). In particular, Fritzche (1988) found that men were less likely to pay a bride than were women; however, men were more likely to ask for a bride than were women.

The Gender Socialization View posits that women and men inherently possess differing values that distinctly affect their attitudes and behaviors. Thus, even though they may be faced with the same set of occupational demands and rewards, they may respond differently to these stimuli (Betz et al., 1989). Specifically, the argument is that men are more concerned with seeking signs of competitive success – money and advancement – and less concerned with relationship and intrinsic satisfaction from the work itself. On the other hand, women were argued to be more concerned with relationships and helping people. Presumably, a concern for money and advancement will spur a willingness to be less ethical and a concerned with relationship and people promotes ethical behavior.

Consistent with the Gender Socialization Approach, Gilligan (1977, 1982) asserts that women and men differ in the nature of their moral reasoning. She contended that women are more prone to base their moral judgments on obligations to care for and avoid hurting others, as well as a concern for the consequences pertaining to the individuals involved. This type of moral reasoning, which incorporates women's learned response of caring for individuals, is quite different from that of men, who are more justice based. Given this contention, it is quite logical to believe that men and women may react differently to workplace pressures and ethically sensitive situations.

Gender differences in ethical behavior may also be influenced by family environment. In the traditional family especially among the Asians, aggressive male behavior is more acceptable than aggressive female behaviors. Females are socialized to be nurturing and supportive of others. Hence, general public logically anticipates different ethical orientations to be dominant by males and females (Ruegger & King, 1992). These expectations are being imposed since childhood and are reflected in attitudes and behaviors both outside and inside individuals' workplace. These differences may also possibly lead to increasing conflict between male and female employees while facing ethical dilemmas in the workplace. This conflict may become more intense and significant as the number of female executives in workplace continues to increase. This implies that firms are required to train and to sensitize their employees with different ethical orientation due to gender differences. Failing to do so may risks a dysfunctional working environment whereby male and female employees would suspect each other's motives as well as loyalty to the firm. It is the

choice of the firms whether to provide guidance to their employees pertaining to the ethical parameters for their behaviors. Such behaviors can often have positive or negative outcomes to their customers, employees, shareholders and society at large.

#### ***2.2.1.2 Age***

Age is conceptualized as the different in years between when an individual was born and the current year when the research was done. Literature suggests that age is another significant personal factor in determining individuals' ethical behavior. Individuals' ethical behavior may change as they move through stages of moral development. These changes are essentially due to life experiences. Thus there exists a relationship between age and ethical behavior. For example, Terpstra et al. (1993) found that individuals tend to become more ethical as they grow older in a study done on the ethical behavior of insider traders. Research also suggests age appears to have significant effect on how student view business ethics (Reugger & King, 1992). Reugger & King (1992) in a study done on 2,196 university business students found that older students seem to be less troubled by ethical dilemmas. In the context of this study, older students are students with higher number of age than the younger students. Older students are also generally found to be more ethical than younger students (Reugger et al., 1992). This is also true for business ethics studies in workplace. Many studies done from this perspective in workplace concluded that older employees generally rank ethical behavior as more important than their younger counterparts (Thumin, Johnson, Kuehl & Jiang, 1995).



Daulatram (2000) in a study on 1,500 marketing professionals found that in general older individuals react more ethically in situations involving coercion and control and conflict of interest. This is consistent with the belief that as individuals reach the highest point of their careers and upon achieving financial security, they tend to have more regard for others, express more love to all mankind, and are more concerned about ethical behavior. On the other hand, younger employees tend to assign less importance to trust and honor, and more importance to money and advancement than older executives (England, 1978). It was found that younger executives behave significantly less ethically when faced with money than older executives (Barnett & Karson, 1989). In addition, senior managers were found to be more interested in personal growth and enjoyable work experience, unlike the younger managers who are concerned primarily with career advancement (Barnett & Karson, 1989).

Other similar studies also found older employees less likely to agree to unethical action and in general exhibit higher level of ethicality (Gael & Pak, 1997). Gael and Pak (1997) found that the older the employee, the more unethical the situation is perceived. The same also true for IT professionals. Older IS professionals appeared to have a clear understanding of the criteria they used in evaluating the ethicality of others' behavior (Michael, Leon & Shim, 1997). Michael et al. (1997) found that younger Information System (IS) professionals generally did not appear to have developed the skill in evaluating others' ethical behavior from a study on 111 IS professionals. It is possible that as one gets older, they emphasis less on selfish interest and generally show increased concern for others that will directly improve

their ethical behavior. This is no exception for executives in small and medium industry (SMI). Age was found to be a significant predictor whereby older workers were found to have stricter interpretations of ethical standards among the SMI executives (Serwinek, 1992). Serwinek (1992) in a study on executives of small business found that as age increases, executives display more conservative ethical tendencies and less compromising on what is to be viewed as ethical.

Kohlberg's theory of cognitive moral development argues that individuals' moral change with age. Hence, as individuals get older, they tend to become less concerned with wealth and advancement and more interested in personal growth (Hall, 1976). They tend to appreciate the long-term benefits of personal and organizational growth by acting in an ethical and socially responsibly manner. It is also possible that as one matures, there is less emphasis on selfish and an increase in concern for others (Daulatram, 2000). Hence, individuals tend to modify their ethical positions as they move through different stages of life.

However, Daulatram's (2000) research in Hong Kong has conflicting finding that managers over 30 years old are more readily involve in unethical activities. This finding supported by Browning and Zabriskie (1983) who found younger managers subscribe to a more ethical viewpoint than older managers. This seems to agree with the rather extremist idea that was sometimes used to characterize the youth movement of the 1960s and 1970s – that you can't trust anyone over 30 (Thumin et al., 1995). Having said that, in general it does appear as ones grow older, more knowledge regarding successful strategies for long term advancement and survival in organizations were gained, and one of these strategies is appropriate ethical conduct

(Gael & Pak, 1997), and this will ultimately resulted in an improved in ethical behavior.

Similar to gender, there are also mixed findings on the influence of age on individuals' ethical behavior. Several researchers argue the influence of age on ethical behavior is not significant. For example, Callan (1992) in a study involving an organizational audit that examined the ethical values of 226 state government employees found that age did not substantially influence values. This argument supported by Steven (1984). Steven's (1984) study on 113 manufacturing executives and 349 business students did not find significant impact of age on ethical behavior. From above review, it shows that the findings on the influence of age on ethical behavior are mixed and not conclusive.

### ***2.2.1.3 Educational Attainment Level***

In the context of this study, educational attainment levels are categories into four different levels. The first level is completed secondary or high school and below, second level is completed a Diploma in any discipline, third level is completed a Degree and finally, the fourth level is completed a postgraduate study. Singhapakdi et al. (1999) conducted a study based on Kohlberg's theory of cognitive moral development found that educational attainment level resulted in significantly different points of view and sensitivities, and are linked to individual's stage of cognitive moral development. Hence, they concluded that educational attainment level is significantly important to ethical behavior. Research on marketing professional also yields similar result (Lund, 2000). Azize and Semra (2002) also found educational

attainment level significantly influence ethical behavior from a study on 473 Turkey's salesperson using 14 ethical scenarios. On the contrary, a study done by Earl et al. (2001) on 184 automobile sales persons to formulate a model for ethical behavior concluded that educational attainment level do not significantly impact ethical behavior. Their findings supported by a very recent study done by Almerinda (2004) to determine the degree of differences in the moral reasoning ability of business top, middle, and first-line managers in selected industries. This study researched into the effect of organizational ethical climate, locus of control, and selected demography and institutional variables on managers reasoning ability. One of the selected demography is educational attainment level and he found that it does not significantly influence ethical behavior. Above review also found the influence of educational level on individuals' ethical behavior is mixed and not conclusive.

### ***2.2.2 Organizational factor***

In the context of this study, organizational factors are attributes possessed by and fall within the circle of influence of organizations. These attributes include organization values, vision, mission, goals and objectives, rules and regulations, practices and cultures, the support from top management and finally the overall organizational ethical climate. Organizational factors can be expected to significantly influence ethical behavior because most workplace settings are strong settings. This argument is supported by a great deal of empirical evidence that suggests most work settings are strong and consequently, result in significant influences on individual attitudes and behaviors (Davis & Pfeffer, 1989; Mischel, 1969, 1977). Strong setting organizations

are organizations with inherent situational pressures to behave in particular ways (Chatman, 1989). Thus, employees from these organizations are anticipated to usually adopt the attitudes and behaviors encouraged by the organizations' climate regardless of professional code of ethics or personal attitudes (Davis & Pfeffer, 1989). Hence, this raises the interest of this study to further evaluate the role of organization factors on individuals' moral development.

Recognizing the increasing importance of ethics in business, increasingly more organizations have undertaken actions that gear toward bringing the situation within their control or at a minimum within their circle of influence. From the review of the effectiveness of codes of ethics as an effective tool to deter unethical behavior, organizational factors are proposed to be significantly influencing employee ethical behavior (Cressey & Moore, 1983; Clark & Leonard, 1998). This paper will determine the role of organization factors on individuals' moral development by studying the impact of code of ethics, top management support and organization ethical climate on individuals' moral development. The primary reason to study the influence of these factors on individuals' moral development is because literature review of current and previous studies found the findings are not conclusive. Secondly, these factors are within the control of firms and thirdly, insufficient studies that look into the role of these factors on individuals' moral development in Malaysia.

#### ***2.2.2.1 Code of ethics***

Among all the possible approaches, adopting professional code of ethics into firms' code of ethics is among the most common action evaluated by firms in search of

effective approaches to overcome employees' unethical behavior. Professional code of ethics defined by professional body such as Engineering, Accounting, Human Resources and recently Information Technology are belief to an influential factor on individuals' ethical behavior. Thus, adopting the professional code of ethics into company code of ethics may potentially influence individuals' ethical behavior. Therefore, a common practice to maintain a high standard of ethics in an organization is to adopt a professional code of ethics into firms' code of ethics (Verschoor, 2000). This argument is supported by a study done by Kreie and Granon in 2002. They found significant evidence that by adopting professional code of ethics into firms' code of ethics does influence employees' ethical decision-making. The codes of conduct could assist employees to resolve ethical conflict between parties and also to maintain higher ethical standard of individuals (Kleyn & Kapelianis, 1999). Kreie and Gronan (2000) further argued that there are situations whereby external influences, such as professional code of ethics are more likely to influence employees' behavior. The concept is based on individuals' perception on the degree of importance of an ethical issue. When an ethical issue is perceived as very important, individuals are more likely to rely on their personal values in judging what is ethical or unethical. On the other hand, individuals are more open to external influences, such as business or professional codes of ethics or the opinions of peers, if they do not consider the particular ethical issue as very important in the decision-making process. Hence, the existence of code of ethics will influence individuals' behavior if they perceive the ethical issue is less important.